

A STUDY OF ORGANIZATIONAL LEARNING CULTURE AND INNOVATION IN PRIVATE SECTOR BANKS

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ABSTRACT

Business and technological changes are threatening organizational sustainability and modern management faces many challenges. Organizations are continually under immense competitive pressures to come up with new innovations. An innovation can be a new product or service, a new operation procedure or a new management strategy to an enterprise. Innovations are essential for the organization's long term survival and growth. The objective of this paper is to present a model of innovative improvement based on the influence of organizational learning culture. The concept of organizational learning culture (OLC) is defined as a set of convention, values, practices and process about the functioning of an organization. They should support systematic way, in-depth approaches aim to achieve higher-level organizational learning. The elements of an organizational learning process that we use are information acquisition, information interpretation, and cognitive changes and behavioral. Within the competing values framework OLC covers all four different types of cultures: group, developmental, hierarchical, and rational. Constructs comprising innovativeness are innovative culture, which are made of technical (product and service) and administrative (process) innovations. We use data from two private banks such as ICICI and HDFC banks by employing more than 60 respondents. The influence of OLC on innovations empirically tested through structural equation modeling. The results show that OLC has a very strong role to direct effect on innovations.

Keywords: Technological Changes, Organizational Sustainability, Innovations, Culture.

Introduction

Organizational learning is a very complex process that refers to the development of new knowledge, skill and has the potential to do change behavior. It is a time to honored process that involves changing individual and organizational behavior. Organizations that have developed a learning culture are good for creating, acquiring and transferring knowledge, as well as at modifying behavior to reflect new knowledge and insight. Hence, organizations stressing organizational learning culture (OLC) must first acquire information, interpret it to fully understand its meaning and at last stage transform it into knowledge.

At the same time, they must not forget the most important part to implement behavioral and cognitive changes in order to convert words into action. Organizations with a strong learning culture can place high importance on the acquisition of knowledge and strategic information from internal as well as external sources. Information can be regarded as a raw material for learning. This information needs to be transformed into meaning through the information interpretation phase. Organizations that interpretation of information use face to face and electronic channels for communication both internally as well as externally. For learning information needs to be acquired, understood, and transformed into action. Both behavioral and cognitive changes in the functioning of organizations are needed for learning to be effective. All these kind of organizational learning process need to be assigned with a high level of importance in order to claim that an organization has a strong learning culture.

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Innovation has been recognized as a critical means for organizations to secure competitive advantage over their counterpart organizations. Competitively advantaged products meet consumer needs and have a technical/operational performance advantage, and ultimately can lead to better business results. Thus, it has been proposed that business success eloquent to foster innovation.

Innovation can be defined as “the successful application of new ideas” of an organization, i.e. Innovation, as such, is an overall concept that can include internal and external innovations, and reaches far beyond the current emphasis on innovation within an organization. Innovation is closely linked to the development of technology, but when an innovation fails to achieve its objective it is more often fault related to managerial and organizational aspects than to technology itself.

In the literature innovations are differentiated as product versus process, incremental versus radical and technological versus market. Moreover, a true innovative firm must be embedded of a strong culture that stimulates the engagement in innovative behavior. Innovativeness is comprised of two constructs – innovations and innovative culture.

- **Product versus Process:** There are two types of innovation – product and process, also called external and internal innovation. Product innovations are the new products and services that are developed by the firm. Process innovations are new processes within an organization, e.g., activity based accounting, new business practices, relationship marketing, organizational structures, virtual teams, and manufacturing processes. Internal process innovations are not intended for sale to other companies or customers but for internal use within the company. Internal process innovations may come from marketing, manufacturing, distribution, and customer service or anywhere else in the company.
- **Incremental versus Radical:** It is the degree of novelty involved or the extent to which change is perceived. In this regard, innovation is the generation and acceptance of ideas, processes, products, or services that the relevant adopting unit perceives as new. It may be new to either the firm or the firm's customers. The extent of perceived change may be perceived as incremental, at one extreme or radical at the other. Incremental or continuous change means minor changes to products, services, or processes, and often leads to innovation that is based on the exploitation of existing products and processes. On the other hand, discontinuous or radical change is described as sweeping away much of the existing investment in technical skills, designs, production technique, plant and equipment, and leads to the complete disruption in technological process or product. Incremental are typically considered to involve exploitative oriented innovation activities, while radical innovations are typically considered to involve explorative oriented innovation activities.
- **Technological versus Market:** It is the degree to which technological innovation differs from existing technology and the degree to which it departs from the existing market segment. The first type, which was defined as "technology-based innovations" adopts advanced technologies and improves customer benefits relative to existing products for customers in the markets. The second one, which was defined as "market-based innovations," departs from serving existing, mainstream markets. Market-based innovations involve new and different technologies and create a set of fringe, and usually new customer values for emerging markets.

The body of literature that has studied the relation between organizational learning and innovation suggests that organizational learning will improve the innovative capacity of an organization and that firms can only innovate if they develop an efficient learning process of their resources and capabilities. Similarly, studies increasingly stress organizational culture as a key to managing innovation. Yet, there is a lackness of investigation of the relation of organizational learning culture and innovativeness. What is too often neglected is not just knowledge needed, acquired and processed, but rather a right set of attitudes and values needed for innovations to occur.

Review of Literature

Many different people have used the word “culture” to explain a variety of phenomena. One of the first attempts was by Jacques who claimed that organizational culture is customary and traditional way of doing things, which is shared to a greater or lesser degree by all members, and which the new members must learn and at least partially accept in order to be accepted for the firm's services.

Harrison (1972) focused more on culture itself rather than on its effects and defined it as ideologies, beliefs, and deep set values that occur in all firms and are prescriptions for the ways in which people should work in these organizations.

Peters and Waterman (1982) saw culture as a dominant and coherent set of shared values conveyed by symbolic means such as stories, myths, legends, slogans, anecdotes and fairy tales. Deal and Kennedy defined organizational culture as “the way things get done around here”.

Innovation has been the focus of researchers in fields as diverse as economics, marketing, strategy, entrepreneurship, organizational behavior and new product development. Brown and Eisenhardt (1995) have identified the influence of organizational structure and culture on the development and marketing of new products. An innovation within this stream is defined as a new product that the organization wishes to create to meet the need of a market. Therefore, a new product can be an upgrade, modification, and extension of existing products, or a product that is new to the company, to the market, or to the world.

Cho and Pucik (2005) used Fortune magazine’s survey of innovative companies as the basis of their measure of innovativeness. They discovered that innovation leads to growth.

Further, McDonough and his colleagues (2008) proposed the notion of competing based not only on what an organization makes or the service it provides, but on what it knows, and how it innovates. This study used two frameworks and performed interview with managers with over 50 different organizations in the USA.

Materials and Methods

This study is an exploratory research in which we have used the both analytical and descriptive methodologies to examine organizational learning culture and innovation in ICICI and HDFC banks. This study involves the both primary and secondary data. The primary data were collected using structured questionnaires consisting of open-ended and multiple choice questions to cover all sides of the spectrum. The primary data consist of numerical measures to quantify data and statistical relationship between organizational learning culture and innovation.

For the secondary data concerned, their collection and analysis used to examine human resource management trends over time. The secondary data used in this study, gathered from books, journals, research reports, related websites, official statistics, articles relating to current trends of HRM practices.

Conclusion

Organizational culture is a social phenomenon which appears and changes through interaction of employees and employers within the environment. Organizational culture appears in the process of collective problem solving with which members of an organization are faced. The occurrence and development of organizational culture demand time and we can say that it changes by following the life cycle of an organization. Management, work culture and employees affect the formation of a certain organizational culture.

The analysis of the research results brought us to the conclusion which confirms all five hypotheses. This leads to the conclusion that the strength of organizational learning culture directly affects creativity and innovation. On the other hand, the position and education of an employee have a positive correlation with communication, interpretation and innovation.

The advantages of organizations which have developed organizational learning culture lies in the fact that they encourage creativity and innovation. Innovation is of vital importance for competitive advantage retention. Only those organizations which actively aim at innovation management to charge their innovative efforts, despite the fact that innovation can be difficult and uncertain. Nowadays, in conditions of intense global changes, efficient learning culture and exploitation of innovation can be an essential path to gain competitive advantage.

Innovation happens through a process of learning, exploring, trying and adopting. The word, innovation means something new or perceived as new. New solutions, products and services are only found through exploration, often from far afield. The management needs to try them in a low-risk, localized experiment and builds a coalition of support around them so that the chances of being adopted can be improved and scaled up to full implementation.

Trust is the first law of the learning and innovation culture. If we cannot create it or are unwilling to create it, then we don’t need to make the effort to go further. And while trust is a two-way street, if the organization is based on command and control, then it is incumbent upon management to take the first step and to continue to take steps to mitigate distrust. It will have to be done over and over, and at every turn the organization will look to prove what we actually mean by that trust.

This paper has highlighted the need for further in-depth investigation of organizational learning culture and innovation and its antecedent variables. Many previous studies have looked at only a thin slice of what makes for an innovative and learning organization. This paper illustrated the importance of adopting a holistic organization-wide approach to information acquiring and interpreting for learning and innovative culture, and behavioral and cognitive change.

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